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Strengthening Financial Resilience through Shariah-Compliant Deposit Insurance Systems for Islamic Microfinance Institutions: Empirical Evidence from Indonesia

Elvira Khairunnisa Ibrahim[1], Mahyarni[2]
[12] UIN Sultan Syarif Kasim, Riau, Indonesia

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Abstract

The present study examines the necessity of establishing a Deposit Insurance System (DIS) specifically designed for Islamic Microfinance Institutions (IMFIs) operating in Indonesia. The investigation is structured around three principal objectives. The first objective seeks to determine the key factors that shape stakeholders' level of knowledge regarding DIS. The second objective evaluates the perceived social contribution of IMFIs within the framework of sustainable development, with particular reference to financial inclusion, poverty alleviation, and community empowerment goals aligned with the UN Sustainable Development Goals. The third objective assesses the urgency of adopting an Islamic deposit insurance mechanism alongside stakeholders' readiness to contribute insurance premiums. Using a purposive-convenience sequential sampling strategy, primary data were collected from 405 respondents representing four distinct stakeholder groups. Three binary logistic regression models were applied to analyse the data. The analytical findings demonstrate that educational attainment, professional work experience, and individual financial behaviour are significant determinants of DIS awareness among respondents. Furthermore, the results underscore the substantial urgency of implementing a DIS to reinforce stakeholder trust and promote broader financial system stability. Notably, a considerable proportion of respondents expressed genuine willingness to contribute deposit insurance premiums. These findings carry meaningful implications for the design of a Shariah-compliant DIS that is responsive to the distinctive operational characteristics of IMFIs, contributes to sustainable development, and supports financial inclusion objectives. The study offers concrete and actionable pathways for policymakers, regulatory bodies, and IMFI management to foster a more resilient and inclusive financial ecosystem in Indonesia.

Corresponding Author:
Elvira Khairunnisa Ibrahim
UIN Sultan Syarif Kasim, Riau, Indonesia; elvirakhairunnisa47@gmail.com

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1. INTRODUCTION

Deposit insurance constitutes a foundational pillar of financial stability and serves as a catalyst for sustainable economic growth, particularly within the operational landscape of Islamic Microfinance Institutions (IMFIs) in Indonesia. By offering protection to depositors against the potential risk of institutional failure, deposit insurance mechanisms reinforce public confidence in financial institutions, a condition widely regarded as indispensable for long-term economic development. A stable and well-regulated financial environment substantially reduces the likelihood of panic-driven withdrawals and systemic bank runs, thereby preserving the robustness of the broader economic framework.

Despite the extensive body of scholarly literature affirming the importance of deposit insurance within conventional banking systems, a substantial research gap persists regarding its specific implications for IMFIs in Indonesia. IMFIs in this context confront a distinct set of institutional challenges that collectively underscore the urgency of establishing a tailored DIS. In contrast to conventional financial institutions, IMFIs are principally oriented toward serving economically marginalized and financially underserved populations, frequently operating in geographic areas with limited access to mainstream financial services. These institutions simultaneously manage commercially oriented activities and administer Islamic social finance instruments, namely zakat and waqf, thus positioning them as uniquely dual-purpose entities that function as both economic and social drivers. However, the prevailing absence of a DIS framework specifically tailored to their operational requirements and Shariah-compliant principles significantly amplifies their exposure to liquidity risks and erodes depositor confidence. Prior studies affirm that without a robust and dedicated DIS, IMFIs demonstrate reduced capacity to absorb financial shocks, thereby impeding their role in supporting infrastructure development and advancing inclusive industrialization as envisioned under SDG-9 (Fianto et al., 2019; Mawardi et al., 2020).

The prevailing academic literature predominantly concentrates on the stabilizing effects of DIS within conventional financial systems, with comparatively limited scholarly attention directed toward its relevance for IMFIs. For instance, Demirgüç-Kunt and Huizinga (2004) investigate the stabilizing functions of DIS but do not account for the ethical and operational complexities inherent to Islamic finance. Similarly, Kusairi et al. (2018) examine deposit insurance dynamics in the ASEAN context while acknowledging the absence of institution-specific mechanisms for IMFIs, particularly in Indonesia. These identified gaps point to a pressing need for research that integrates Shariah-compliant deposit insurance frameworks into the wider financial ecosystem to ensure both resilience and inclusivity for IMFIs. The present study responds to this need by exploring how a purpose-built deposit insurance system could enhance the operational resilience of IMFIs and advance broader economic goals, particularly in relation to SDG-9, which emphasizes sustainable industrialization, infrastructure development, and innovation.

IMFIs, including prominent institutions such as Baitul Maal Wa Tamwil (BMT), fulfill a critical role in poverty reduction and financial inclusion. However, many prospective members remain reluctant to engage with these institutions, largely due to the absence of a formal deposit guarantee mechanism. This institutional deficit frequently undermines the capacity of IMFIs to mobilize savings and restricts their outreach to underserved communities. Moreover, the lack of deposit insurance may also discourage investment in infrastructure-linked projects and heighten the vulnerability of these institutions to financial crises.

Research findings indicate that Islamic finance possesses an inherent potential for greater stability relative to conventional finance, primarily attributable to its foundational risk-sharing principles and ethical investment norms (Boukhatem and Ben Moussa, 2018; Masrizal and Trianto, 2022). Nevertheless, the distinctive challenges confronting IMFIs, including elevated risk exposure and susceptibility to bank runs, necessitate a comprehensive regulatory framework that incorporates robust deposit protection mechanisms. Evidence from prior studies suggests that prospective

members frequently raise concerns about deposit security, thereby signaling a clear and demonstrable demand for formal insurance schemes capable of enhancing institutional trust and promoting savings behavior (Amin, 2013; Kusairi et al., 2018; Noor and Haron, 2018).

Notwithstanding previous research that has documented the significance of deposit insurance in sustaining financial stability (Cerrone, 2018; Chiaramonte et al., 2020; Fecht et al., 2019; Fendi, 2020; Kusairi et al., 2018), the specific institutional dynamics of IMFIs in Indonesia remain insufficiently examined. This study seeks to address this gap through a systematic investigation of three interconnected research dimensions: first, the identification of factors influencing stakeholder knowledge of deposit insurance; second, an assessment of the social impact of IMFIs; and third, an evaluation of the urgency of deposit insurance adoption along with stakeholder willingness to pay premiums.

Employing a purposive sample of 405 respondents comprising IMFI employees, active members, individuals with general awareness of IMFIs, and those without prior knowledge of these institutions, this study captures a diverse spectrum of perceptions regarding deposit insurance and its perceived institutional value.

The significance of this study is multifaceted. It draws attention to the critical need for a deposit insurance system that is specifically designed to address the unique risk profile of IMFIs, which are generally more vulnerable than conventional banking institutions. Furthermore, the study explores the knowledge base and attitudinal orientations of IMFI clients and managers toward deposit insurance, an area that has remained comparatively underexplored in the academic literature. The findings are anticipated to generate valuable insights for academics, researchers, and regulatory authorities committed to advancing deposit insurance within the Islamic microfinance sector, ultimately contributing to enhanced financial stability and more inclusive economic growth in Indonesia.

The paper is organized as follows. Section II presents a review of the relevant literature. Section III details the methodological approach adopted in the study. Section IV presents the empirical results and analytical discussion. Section V elaborates on the managerial implications derived from the findings, and Section VI concludes the paper with a summary of key findings and directions for future research.

2. LITERATURE REVIEW

2.1. Theoretical Foundation

The Theory of Reasoned Action (Ajzen and Fishbein, 1975) and the Theory of Planned Behavior (Ajzen, 1991) have been widely applied as analytical frameworks in examining behavioral intentions within Islamic banking and finance contexts. Among these, the Theory of Planned Behavior (TPB) and its extended variants have been applied with greater frequency and consistency compared to alternative theoretical approaches. Scholars such as Ali et al. (2018), Amin et al. (2014), and Ibrahim et al. (2017) have employed extensions of TPB to investigate behavioral patterns among Muslim consumers. Amin et al. (2018) utilized the framework to assess the acceptability of Tawarruq financing in Malaysia, while Zauro et al. (2016) applied it to analyze the dynamics of Qardhul Hassan in the Nigerian context. Maulana et al. (2018) further leveraged TPB to identify the determinants of participation in Islamic microfinance. This body of scholarly evidence confirms that TPB is particularly well-suited to evaluating the acceptability and adoption of products and services in Islamic banking settings.

As originally formulated by Ajzen (1991), TPB provides a robust analytical lens for understanding behaviour as a function of attitudes, subjective norms, and perceived behavioural control. In the present study, TPB is adopted as the primary interpretive framework for examining how

stakeholders' orientations toward DIS, their perceptions of social expectations, and their assessments of feasibility collectively shape their willingness to adopt and support DIS in IMFIs. Consistent with methodological precedents in survey-based financial inclusion research (Amin et al., 2014; Fianto et al., 2019), the empirical models employ sociodemographic and behavioural proxies as operationalisations of TPB dimensions, whereby educational attainment and work experience serve as proxies for attitude formation and perceived behavioural control, family structure and marital status reflect the subjective normative environment, and willingness to pay insurance premiums operationalises behavioural intention. This approach is well-established in applied TPB research where direct psychometric scale measurement is constrained by survey instrument scope (Maulana et al., 2018; Zauro et al., 2016). The study specifically examines how educational background and work experience mould stakeholder attitudes, while religious and community norms influence subjective norms in the context of Shariah-compliant DIS adoption.

The Indonesian institutional context adds a layer of analytical depth to this theoretical application. IMFIs in Indonesia primarily serve economically underserved populations, including micro and small enterprises (MSEs), operating in an environment characterized by limited financial literacy and informal economic structures (Fianto et al., 2019; Mawardi et al., 2020). The absence of a tailored DIS diminishes their institutional capacity to build trust and enhance financial stability. TPB therefore functions as an interpretive lens through which socio-cultural and economic factors in Indonesia can be examined in relation to stakeholder behavioral intentions toward DIS adoption.

Despite the theoretical utility of TPB, prior studies have largely confined its application to conventional financial settings (Amin et al., 2014; Zauro et al., 2016). Relatively limited scholarly attention has been directed toward its adaptation to IMFIs or its integration with Shariah-compliant financial mechanisms. The present study addresses this gap by applying TPB to the unique operational realities of IMFIs in Indonesia, with a focus on variables including perceived usefulness, behavioral intention, and the role of Islamic values in shaping attitudinal orientations toward DIS. By aligning the theoretical framework with the socio-economic and cultural dimensions of Indonesian IMFIs, the study offers a nuanced perspective on how TPB can inform the formulation of effective and inclusive financial policies.

2.2. Previous Studies

2.2.1. The Impact of Deposit Insurance on Financial Stability

Deposit insurance plays a vital role in advancing Islamic finance within the overarching framework of SDG-9 by promoting financial inclusion, reinforcing institutional stability, encouraging ethical investment practices, facilitating access to financing for small and medium-sized enterprises (SMEs) and microfinance institutions, and fostering financial innovation. Through alignment with Shariah principles and by contributing to more resilient financial infrastructure, deposit insurance supports sustainable industrialization, infrastructure development, and broader economic innovation.

The existing literature predominantly underscores the mutual benefits of deposit insurance for financial institutions and their clientele (Demirgüç-Kunt et al., 2015; Kusairi et al., 2018; LeRoy and Singhania, 2020). The majority of studies affirm its importance as a stabilizing mechanism within banking systems (Cerrone, 2018; Chiaramonte et al., 2020; Kusairi et al., 2018). However, countervailing evidence suggests that DIS may produce dysfunctional outcomes in countries with weaker financial regulatory environments, contributing to heightened fragility and systemic vulnerability (Anginer et al., 2014; Krimminger, 2008; Qi et al., 2020). A poorly designed DIS can exacerbate financial crises and institutional fragility by generating moral hazard during periods of relative stability (Chiaramonte et al., 2020).

Deposit insurance also generates spillover effects on non-banking financial institutions and on financial systems in other countries (Donnelly, 2017; Ji et al., 2018; Qi et al., 2020), producing both positive outcomes, such as enhanced institutional trust and systemic stability, and negative consequences, including the potential triggering of financial crises. Research on capital adequacy demonstrates that DIS can materially influence the risk profiles of banking institutions (Gómez-Fernández-Aguado et al., 2016; Jumreornvong et al., 2018; Muller, 2020). By altering risk dynamics, an effective DIS enables countries to attract international capital inflows (Jumreornvong et al., 2018; Muller, 2018; Qi et al., 2020), as better-protected deposits serve to attract foreign investment.

Despite these potential benefits, implicit deposit insurance may incentivize excessive risk-taking behavior (Jumreornvong et al., 2018; Ngalawa et al., 2016). The degree of risk clarity associated with explicit DIS arrangements remains ambiguous in the literature (Demirgüç-Kunt and Detragiache, 2002; Demirgüç-Kunt and Huizinga, 2004; Qi et al., 2020). Therefore, while the significance of a well-functioning DIS in preventing bank runs and fostering financial stability cannot be understated (Chiaramonte et al., 2020; Dubois, 2021; Kusairi et al., 2018), legitimate concerns persist regarding its potential to distort market mechanisms. Calomiris and Jaremski (2019) contend that deposit insurance often amplifies systemic risk rather than mitigating it.

The contradictory conclusions in the literature regarding the stabilizing influence of DIS on banking systems reflect a significant ongoing research debate. Although deposit insurance is designed to protect depositors and mitigate bank risk by preventing financial panics (Gropp and Vesala, 2004), it may simultaneously undermine market discipline, thereby inducing moral hazard and encouraging elevated risk-taking. This paradox can precipitate systemic crises when financial institutions engage in correlated risk-taking behaviors (Acharya and Dreyfus, 1989; Demirgüç-Kunt and Huizinga, 2004; Ioannidou and Penas, 2010). The ongoing debate remains particularly underexplored in relation to how distinct sources of systemic risk interact with deposit insurance mechanisms.

IMFIs in Indonesia primarily serve Micro and Small Enterprises (MSEs), which represent a more directly relevant client segment than SMEs in the present context. MSEs in Indonesia frequently operate within the informal economy, with constrained access to capital and financial services, making them principal target beneficiaries of IMFIs. Data from Otoritas Jasa Keuangan (2021) indicate that approximately 64.5 million MSEs in Indonesia contribute substantially to GDP yet remain largely underserved by conventional financial institutions. This reality reinforces the critical role of IMFIs in bridging financial inclusion gaps for MSEs. Adnan and Ajija (2015) demonstrate that Islamic microfinance serves to reduce poverty and enhance the economic capacity of micro-entrepreneurs, while Mawardi et al. (2020) highlight how IMFIs deploy Shariah-compliant mechanisms such as qardhul hasan and murabahah to address the distinctive financial constraints of MSEs, including the absence of collateral and irregular income streams. In contrast, SMEs, which generally require larger capital investments and access to global markets, are better served by commercial banking institutions.

The relevance of MSEs to IMFIs lies in their shared emphasis on financial inclusion, adherence to ethical principles, and engagement in small-scale economic activities. This study underscores the importance of designing deposit insurance systems that are responsive to the operational realities of IMFIs and their target beneficiaries, particularly MSEs, while ensuring alignment with both financial stability objectives and broader social goals.

2.2.2. Deposit Insurance System in Indonesia

Since its establishment in 2005, Indonesia's DIS has operated on a flat-rate premium basis and has demonstrated a degree of resilience through various banking crises and financial shocks. Although the government has undertaken a range of measures to bolster public confidence in the

financial system, these policy interventions have concurrently given rise to moral hazard concerns (Erick et al., 2021; Kusairi et al., 2015; Trinugroho et al., 2020). In accordance with Law No. 9 of 2016 concerning the Prevention and Resolution of Financial System Crisis (UU PPKSK), the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan) collects deposit insurance fees and may also receive additional contributions from the banking sector upon activation of the Banking Restructuring Program. The Corporation relies on these collected fees and the bail-in provisions stipulated in the UU PPKSK to address banks' financial difficulties.

The flat-rate premium scheme, which imposes a charge equivalent to 0.2 percent per annum on average deposits across all participating banks regardless of asset size or risk profile, has attracted considerable criticism for its perceived inequity. Under this arrangement, larger banks that typically maintain superior risk management practices bear the same premium burden as smaller institutions that may present substantially greater default risk. This structural anomaly creates a situation wherein smaller banks with higher failure probabilities effectively contribute less than what would be commensurate with their risk exposure, thereby subsidizing riskier institutional behavior within the system.

2.2.3. Islamic Microfinance Institutions and the Requirement for Deposit Insurance

IMFIs contribute substantially to economic development by providing Shariah-compliant financial services to populations that are otherwise excluded from the formal banking sector. Acting as financial intermediaries, IMFIs mobilize savings and allocate funds through Shariah-compliant contractual arrangements. They also administer Islamic social finance instruments, including zakat and waqf, which amplify their institutional function as social development agents in Indonesia (Fianto et al., 2018; Mawardi et al., 2020). IMFIs address the financial needs of economically marginalized communities and Muslim populations who encounter significant barriers to accessing conventional capital, thereby positioning these institutions as essential resources for those facing difficulties in obtaining financial services.

Islamic finance operates on principles that prohibit interest-based transactions and advocate for ethical investment practices consistent with Shariah law. A well-designed deposit insurance mechanism reinforces these principles by ensuring that deposits are managed in alignment with ethical guidelines. This institutional assurance encourages Islamic financial institutions to direct their activities toward projects that support the sustainability objectives embedded in SDG-9 while simultaneously avoiding Shariah-prohibited investments.

Deposit insurance schemes can further be structured in a manner that is consistent with Shariah principles, deliberately avoiding interest-based mechanisms and promoting ethical investment practices. Such structures foster depositor confidence by providing assurance that funds will be managed in accordance with Shariah norms, thereby supporting sustainable development through social responsibility and environmental stewardship.

Despite the institutional potential of IMFIs, they encounter multiple barriers in extending financial access to marginalized entrepreneurs. These include the absence of collateral among small and micro-business operators, unreliable income streams for loan repayment purposes, and the administrative burden imposed on institutions by the small monetary value of individual loans. By contrast, conventional financial intermediaries frequently employ fixed-rate mechanisms that can generate unequal distributions of risk and return, ultimately disadvantaging borrowers (Abdullah and Ismail, 2014; Mawardi et al., 2020; Abdul Rahman and Dean, 2013).

The global trajectory of the Islamic finance sector has prompted calls for a fundamental paradigm shift in its contribution to poverty alleviation. Numerous researchers recognize Shariah-compliant microfinance as a viable mechanism for maximizing social benefit (Adnan and Ajija, 2015; Fianto et al., 2018; Haque and Yamao, 2011; Hassan, 2015; Hassan and Saleem, 2017;

Mawardi et al., 2020; Zitouni and Ben Jedidia, 2022). However, despite its conceptual appeal, Islamic microfinance currently represents less than one percent of total global microfinance outreach (Global Report on Islamic Finance, 2016). Rahim Abdul Rahman (2010) identifies a range of barriers that constrain the contribution of IMFIs to economic development, encompassing limited fund availability, elevated transaction costs, and unfavorable regulatory conditions. The Otoritas Jasa Keuangan (2021) further notes that constraints in establishing microfinance institutions derive from inadequate quality and insufficient supply of qualified administrators and managers, which in turn adversely affects governance standards.

A particularly significant structural limitation that impedes the contribution of IMFIs to economic development is the absence of a dedicated deposit insurance system. The Otoritas Jasa Keuangan (2021) identifies several regulatory and industry-level barriers to the establishment of a deposit guarantee scheme for microfinance institutions. At present, no statutory framework exists to govern the establishment of deposit insurance for the microfinance sector. Additionally, limited human resources and inadequate infrastructure hinder effective governmental supervision, coordination, and regulatory guidance for microfinance institutions, a situation compounded by minimal budgetary allocations for sectoral development. Newly established or undercapitalized IMFIs frequently face difficulties in investing in comprehensive governance systems, which require substantial financial outlays for information technology infrastructure and institutional capacity building.

3. METHODOLOGY

3.1. Data

This study aims to determine the extent to which Indonesian communities perceive the need for a deposit insurance system and their willingness to pay the associated premiums at IMFIs. Primary data were gathered from Indonesian citizens aged 17 years and above through a structured survey instrument. The survey was conducted in accordance with established ethical principles of voluntary participation, informed consent, data confidentiality, and the right to withdraw at any point without consequence. All participants were fully informed of the research objectives prior to participation. The study was exempted from formal institutional ethics review board approval under UIN Sultan Syarif Kasim's institutional research policy for anonymous survey-based research involving non-vulnerable adult populations; participant confidentiality was maintained throughout data collection and analysis. Respondents were selected using a sequential purposive-convenience sampling design and categorised into four groups based on their level of engagement with IMFIs.

- Group A: Employees or managers of IMFIs
- Group B: Members or users of IMFI products or services
- Group C: Individuals who have knowledge of IMFIs but are neither employees, managers, nor users of IMFI products or services
- Group D: Individuals who have no prior knowledge of IMFIs

Given the absence of a comprehensive national database of Islamic microfinance customers, a sequential purposive-convenience sampling design was employed. The four respondent groups were defined purposively, with group boundaries established on theoretical grounds reflecting distinct levels of IMFI engagement, consistent with the stakeholder differentiation adopted by Fianto et al. (2019) and Quinlan (2011). Within each group, individual participants were recruited by convenience through established networks and social media channels. This hybrid design combines the theoretical rigour of purposive group stratification with the operational practicality of convenience recruitment, and its implications for generalisability are acknowledged in the

limitations section. The final dataset comprises responses from 180 male and 225 female participants (405 in total), representing 25 provinces and 96 cities across Indonesia. The geographic distribution reveals that 85.68 percent of respondents are located on the island of Java, with the highest concentration in Surabaya City (13.24 percent), followed by Sidoarjo District (10 percent) and Malang City (6.49 percent). Respondent totals were Group A (74), Group B (106), Group C (123), and Group D (102).

3.2. Analytical Method

The principal objective of this study is to identify the factors that determine awareness of IMFIs, knowledge of their products and services, and the perceived urgency of deposit insurance within these institutions. Three binary logistic regression models are employed as the analytical strategy, given their suitability for modelling binary dependent variables such as awareness of DIS, perceptions of IMFI social purpose, and the propensity to adopt and pay for deposit insurance (Train, 2009; Ben-Akiva and Lerman, 1985). Logistic regression operates on a utility-maximisation principle analogous to that of discrete choice modelling, wherein the binary outcome associated with the higher expected utility (in this case, the presence or absence of DIS knowledge, social perception, or willingness to pay) is predicted from a set of individual-level covariates. The logit specification is particularly appropriate when the probability of the outcome is logistically distributed (Ben-Akiva and Lerman, 1985; Train, 2009). This analytical approach is consistent with prior studies in Islamic microfinance research (Fianto et al., 2019; Li et al., 2011).

3.3. Proposed Models

Three binary logistic regression models are employed to address the research objectives. Logistic regression is particularly well-suited to modelling binary dependent variables, such as awareness of DIS or the propensity to pay deposit insurance premiums (Train, 2009). The framework aligns with the utility-maximisation logic underlying financial decision-making behaviour, enabling analysis of binary choice outcomes (Ben-Akiva and Lerman, 1985).

The integration of these models is supported by prior studies in the fields of microfinance and financial inclusion. Li et al. (2011) demonstrate the effectiveness of DCM in analyzing access to microcredit in rural China, while Fianto et al. (2019) validate the application of logistic regression in exploring financing decisions within Indonesian IMFIs. The combined application of these models enables a comprehensive examination of the factors shaping awareness, perceptions, and adoption decisions related to DIS within the Indonesian IMFI context.

The three logistic regression models are structured as follows. Model 1 examines the determinants of stakeholder knowledge regarding deposit insurance in IMFIs (LIKN), estimated on the full sample of 405 respondents spanning all four groups. Model 2 analyses respondents' perceptions of the social purpose of IMFIs and their contribution to sustainable development, encompassing poverty alleviation, financial inclusion, community empowerment, and service to underserved populations, consistent with SDG-1, SDG-4, and SDG-10 goals (PSP). Model 2 is estimated on the 229 respondents comprising Groups B and C, who possess direct or indirect IMFI awareness and are thus best positioned to evaluate IMFI social contributions. Model 3 assesses the urgency of adopting Islamic deposit insurance and respondents' willingness to pay insurance premiums (IDI), estimated on the 180 respondents in Groups A and B who are direct institutional stakeholders, specifically IMFI managers and active members, with the functional knowledge and financial engagement relevant to assessing DIS adoption urgency and premium willingness.

The following equations are used for each model:

$$U_{1n,LIKN}(A_{n,LIKN}=1,\ B_{n,LIKN}) > U_{0n,LIKN}(A_{n,LIKN}=0,\ B_{n,LIKN})$$

$$[\text{or } U_{1n,LIKN}(a_{n,LIKN}=1,\ B_{n,LIKN}) - U_{0n,LIKN}(A_{n,LIKN}=0,\ B_{n,LIKN}) > 0] \quad (1)$$

$$U_{1n,PSP}(A_{n,PSP}=1,\ B_{n,PSP}) > U_{0n,PSP}(A_{n,PSP}=0,\ B_{n,PSP})$$

$$[\text{or } U_{1n,PSP}(a_{n,PSP}=1,\ B_{n,PSP}) - U_{0n,PSP}(A_{n,PSP}=0,\ B_{n,PSP}) > 0] \quad (2)$$

$$U_{1n,IDI}(A_{n,IDI}=1,\ B_{n,IDI}) > U_{0n,IDI}(A_{n,IDI}=0,\ B_{n,IDI})$$

$$[\text{or } U_{1n,IDI}(a_{n,IDI}=1,\ B_{n,IDI}) - U_{0n,IDI}(A_{n,IDI}=0,\ B_{n,IDI}) > 0] \quad (3)$$

Where: LIKN = Literacy and knowledge of deposit insurance in IMFIs; **PSP** = Perception of the respondents about the social purpose of IMFIs and their role in SDG-9; **IDI** = Need to adopt Islamic deposit insurance

The binary choice model determines the knowledge of deposit insurance in IMFIs, respondents' perceptions regarding the social purpose of IMFIs, and the necessity of Islamic deposit insurance in IMFIs. Therefore, the logistic (logit) model is best suited for achieving the three research objectives. Three relevant logit models are:

$$P_{n,LIKN}(A_{n,LIKN}=1) = \Pr(U_{1n,LIKN} > U_{0n,LIKN}) = \Pr(Z_{n,LIKN} > 0)$$

$$= \frac{1}{1+e^{-\beta B_{n,LIKN}}} \quad (4)$$

$$P_{n,IFP}(A_{n,IFP}=1) = \Pr(U_{1n,IFP} > U_{0n,IFP}) = \Pr(Z_{n,IFP} > 0)$$

$$= \frac{1}{1+e^{-\beta B_{n,IFP}}} \quad (5)$$

$$P_{n,IDI}(A_{n,IDI}=1) = \Pr(U_{1n,IDI} > U_{0n,IDI}) = \Pr(Z_{n,IDI} > 0)$$

$$= \frac{1}{1+e^{-\beta B_{n,IDI}}} \quad (6)$$

A_n,i equals 1 if there is knowledge about deposit insurance in IMFIs and respondents believe that IMFIs have a social role and require an Islamic DIS; otherwise, the score is 0. Furthermore, P_n, i is the probability of having such knowledge. The formulation of probability functions for the models indicates that they are similar to logit models; therefore, logit models are suggested (Train, 2009). Additionally, the logit model is advantageous when the probability is logically distributed (Ben-Akiva & Lerman, 1985; Li, 2010). As Fianto et al. (2019) recommend for similar studies, Table 1 provides variable descriptions for all three models regarding knowledge of

IMFIs, their products, social objectives, the urgency of Islamic deposit insurance, and the willingness and ability of consumers to pay deposit insurance premiums.

Table 3.1. Description of Study Variables

Variable	Type	Description
Gender	Binary	Gender of the participant
Age	Continuous	Age of the participant
Marital Status	Binary	Marital status of the participant
Religion	Ordinal (religiosity scale, 1-7)	Religious beliefs of the participant
Child	Continuous	Number of children of the participant
Education	Continuous	Highest level of education completed
Occupation	Categorical (ref. government employee)	Primary occupation for income generation
Job Years	Continuous	Years of professional work experience
Family	Continuous	Total number of family members
Incperson	Continuous	Number of income-earning persons in the family
Income	Continuous	Total household income
Expenses	Continuous	Total household expenditures
Job Status	Categorical (ref. employed)	Current employment status
Health Expenses	Continuous	Average annual health-related expenditures

Authors' compilation. Religion is operationalised as an ordinal religiosity index (scored 1 = not at all religious to 7 = extremely religious), consistent with religiosity measurement in prior Islamic finance research (Amin et al., 2014; Zauro et al., 2016). Occupation and Job Status are treated as categorical predictors, with government employment and formal employment as respective reference categories, consistent with logistic regression best practice for nominal variables.

The selection of variables is grounded in both theoretical frameworks and prior empirical findings in the Islamic microfinance literature. Key independent variables such as education, work experience, marital status, and income were selected based on their documented influence on financial literacy, adoption of financial services, and orientations toward risk-sharing mechanisms (Ajzen, 1991; Lusardi and Mitchell, 2013). Education level has been consistently associated with financial literacy and awareness of financial products (Lusardi and Mitchell, 2013), while work experience is generally correlated with exposure to diverse financial instruments (Fianto, Maulida, et al., 2019). The inclusion of health expenditure as an explanatory variable reflects its relevance to household financial decision-making, particularly among the target demographics of Indonesian IMFIs, where economic shocks can significantly influence saving behavior and institutional trust (Mawardi et al., 2020). The variable measuring willingness to pay deposit insurance premiums directly operationalizes behavioral intention in alignment with the theoretical predictions of TPB (Ajzen, 1991).

4. RESULTS AND ANALYSIS

4.1. Respondent Profile

The socio-demographic profiles of respondents across the three analytical models are presented in Tables 4.2, 4.3, and 4.4. With respect to Model 1, Table 4.2 reveals that a substantial majority of respondents (303 out of 405) possess awareness of IMFIs. Respondents who lack knowledge of IMFIs tend to be younger than 23 years of age and are predominantly unmarried. Among those

who are knowledgeable about IMFIs, 42.24 percent are adults without children, while a notable segment comprises married parents over the age of 23. Regardless of their familiarity with IMFIs and their relevance to SDG-9, most respondents hold educational qualifications ranging from senior secondary school (SMA) to undergraduate degree level (S1). In terms of occupational experience, 33.66 percent of knowledgeable respondents report less than one year of professional experience, while 49.5 percent report more than five years. Most respondents report annual health expenditures below 0.5 million Indonesian Rupiah, approximately equivalent to USD 35.

Table 4.1. Profile of Surveyed Respondents for Model 1

Respondent Characteristic	**No LIKN N**	**No LIKN % to N**	**Knowledge N**	**Knowledge % to N**	**All N**	**All % to N**
Age						
18–23 years	65	63.73%	100	33.00%	165	40.74%
24–40 years	15	14.71%	112	36.96%	127	31.36%
41–56 years	20	19.61%	83	27.39%	103	25.43%
57–75 years	2	1.96%	8	2.64%	10	2.47%
Others	0	0.00%	0	0.00%	0	0.00%
Total	102	100%	303	100.00%	405	100%
$\chi^2 = 31.6964^{***}$						
Marital Status						
Unmarried	73	71.57%	122	40.26%	195	48.15%
Married	29	28.43%	181	59.74%	210	51.85%
Total	102	100.00%	303	100.00%	405	100.00%
$\chi^2 = 29.9544^{***}$						
Child						
Nothing	73	71.57%	128	42.24%	201	49.63%
One	8	7.84%	35	11.55%	43	10.62%
Two	11	10.78%	64	21.12%	75	18.52%
Three	5	4.90%	45	14.85%	50	12.35%
Four	4	3.92%	25	8.25%	29	7.16%
More than four	1	0.98%	6	1.98%	7	1.73%
Total	102	100%	303	100%	405	100%
$\chi^2 = 27.1721^{***}$						
Education						
No School	0	0.00%	1	0.33%	1	0.25%
SD	0	0.00%	20	6.60%	20	4.94%
SMP	2	1.96%	7	2.31%	9	2.22%
SMA	59	57.84%	99	32.67%	158	39.01%
D1 & D3	9	8.82%	20	6.60%	29	7.16%
S1	28	27.45%	108	35.64%	136	33.58%
S2	4	3.92%	47	15.51%	51	12.59%
Others	0	0.00%	1	0.33%	1	0.25%
Total	102	100%	303	100%	405	100%
$\chi^2 = 30.0322^{***}$						
Job Years						
Less than 1 year	60	58.82%	102	33.66%	162	40.00%
2 until 3 years	14	13.73%	33	10.89%	47	11.60%
4 until 5 years	3	2.94%	18	5.94%	21	5.19%
More than 5 years	25	24.51%	150	49.50%	175	43.21%
Total	102	100%	303	100%	405	100%
$\chi^2 = 24.9628^{***}$						

Respondent Characteristic	No LIKN N	No LIKN % to N	Knowledge N	Knowledge % to N	All N	All % to N
Health Expenses						
< IDR 0.5M	49	48.04%	210	69.31%	259	63.95%
IDR 0.5M to 0.75M	23	22.55%	51	16.83%	74	18.27%
IDR 0.75M to 1M	15	14.71%	23	7.59%	38	9.38%
IDR 1M to 1.25M	7	6.86%	6	1.98%	13	3.21%
> 1.25M	8	7.84%	13	4.29%	21	5.19%
Total	102	100%	303	100%	405	100%
$\chi^2 = 18.4051$***						

Note: *** 1% Level of Significance; LIKN = Literacy and Knowledge of DIS. Source: Authors' calculations.

Table 4.3 presents the respondent characteristics relevant to Model 2. The majority of participants are under 40 years of age. Notably, younger respondents aged below 23 years demonstrate greater familiarity with IMFI products and their relevance to SDG-9 than those over 23, a pattern particularly evident among unmarried individuals. These findings are consistent with prior research indicating that younger demographics are generally more receptive to new financial products (Khan et al., 2020). The results further indicate that higher educational attainment and greater work experience are positively correlated with knowledge of IMFI products, consistent with the scholarly consensus that education enhances financial literacy (Lusardi and Mitchell, 2013).

Table 4.3. Profile of Surveyed Respondents for Model 2

Respondent Characteristic	No PSP N	No PSP %	PSP N	PSP %	All N	All %
Age						
18–23 year	24	22.64%	67	54.47%	91	39.74%
24–40 year	55	51.89%	32	26.02%	87	37.99%
41–56 year	25	23.58%	21	17.07%	46	20.09%
57–75 year	2	1.89%	3	2.44%	5	2.18%
Others	0	0.00%	0	0.00%	0	0.00%
Total	106	100%	123	100%	229	100%
$\chi^2 = 25.8273$***						
Marital Status						
Unmarried	34	32.08%	74	60.16%	108	47.16%
Married	72	67.92%	49	39.84%	121	52.84%
Total	106	100%	123	100%	229	100%
$\chi^2 = 18.0240$***						
Child						
Nothing	34	32.08%	78	63.41%	112	48.91%
One	20	18.87%	11	8.94%	31	13.54%
Two	29	27.36%	17	13.82%	46	20.09%
Three	15	14.15%	13	10.57%	28	12.23%
Four	6	5.66%	4	3.25%	10	4.37%
More than four	2	1.89%	0	0.00%	2	0.87%
Total	106	100%	123	100%	229	100%
$\chi^2 = 24.4446$***						
Education						
No School	1	0.94%	0	0.00%	1	0.44%
SD	19	17.92%	0	0.00%	19	8.30%

Respondent Characteristic	No PSP N	No PSP %	PSP N	PSP %	All N	All %
SMP	5	4.72%	1	0.81%	6	2.62%
SMA	36	33.96%	51	41.46%	87	37.99%
D1 & D3	5	4.72%	4	3.25%	9	3.93%
S1	25	23.58%	46	37.40%	71	31.00%
S2	14	13.21%	21	17.07%	35	15.28%
Others	1	0.94%	0	0.00%	1	0.44%
Total	106	100%	123	100%	229	100%
$\chi^2 = 32.8945$***						
Job Years						
Less than 1 year	24	22.64%	67	54.47%	91	39.74%
2 until 3 years	13	12.26%	17	13.82%	30	13.10%
4 until 5 years	9	8.49%	7	5.69%	16	6.99%
More than 5 years	60	56.60%	32	26.02%	92	40.17%
Total	106	100%	123	100%	229	100%
$\chi^2 = 28.5189$***						

Note: *** 1% Level of Significance; PSP = Perception of Social Purposes. Source: Authors' calculations.

Table 4.4 presents the respondent profile pertaining to Model 3, revealing that 161 out of 180 respondents demonstrate awareness of Islamic Deposit Insurance (IDI). Among those knowledgeable about deposit insurance, 45 percent are product or service managers within Islamic financial services, while the remaining 55 percent are customers and service users of IMFI products. This distribution reflects findings by Ali and Hassan (2017), who highlight that industry professionals generally possess greater knowledge of financial products compared to the general public.

Table 4.4. Profile of Surveyed Respondents for Model 3

Respondent Characteristic	No Know. N	No Know. %	Know. IDI N	Know. IDI %	All N / %
Filter 2					
Product/Service Manager	2	10.53%	72	44.72%	74 / 41.11%
Product Service User	17	89.47%	89	55.28%	106 / 58.89%
Total	**19**	**100%**	**161**	**100%**	**180 / 100%**
$\chi^2 = 8.2076$***					

Note: *** 1% Level of Significance; IDI = Need to adopt Islamic Deposit Insurance System. Source: Authors' calculations.

The statistically significant chi-square results across all three models demonstrate substantial and meaningful differences between respondents with and without knowledge of IMFIs (Model 1), those knowledgeable or uninformed about IMFI products (Model 2), and those aware or unaware of Islamic deposit insurance (Model 3). These findings are consistent with the conclusions of Fianto et al. (2019) regarding the presence of significant awareness gaps across different demographic groups.

The survey results from Model 2 reveal notable disparities in public perceptions across several dimensions: (1) the social mission of IMFIs; (2) the effectiveness of strategies targeting poor and vulnerable populations to advance SDG-9; (3) support for education, health, sports, and culture as pathways toward SDG-9; (4) the capacity of IMFIs to reach illiterate and disadvantaged populations; (5) the development of innovative financial products; and (6) recommendations to deposit funds in IMFIs. These findings support the view that public perception plays a significant role in shaping the effectiveness of financial institutions in achieving their social objectives (Mair

et al., 2015).

Table 4.5. Results of Survey Questions Model 2

Item / Scale	No IMFI N	No IMFI %	IMFI Perc. N	IMFI Perc. %	All N	All %
IMFI's social mission is evident for achieving SDG-9 (Um02)						
1	0	0.00%	2	1.63%	2	0.87%
2	1	0.94%	2	1.63%	3	1.31%
3	5	4.72%	3	2.44%	8	3.49%
4	13	12.26%	16	13.01%	29	12.66%
5	11	10.38%	43	34.96%	54	23.58%
6	31	29.25%	28	22.76%	59	25.76%
7	45	42.45%	29	23.58%	74	32.31%
Total	**106**	**100%**	**123**	**100%**	**229**	**100%**
$\chi^2 = 24.5922$***						
Admins & managers ensure social missions for SDG-9 (Um03)						
1	0	0.00%	2	1.63%	2	0.87%
2	0	0.00%	0	0.00%	0	0.00%
3	3	2.83%	5	4.07%	8	3.49%
4	13	12.26%	14	11.38%	27	11.79%
5	11	10.38%	42	34.15%	53	23.14%
6	32	30.19%	34	27.64%	66	28.82%
7	47	44.34%	26	21.14%	73	31.88%
Total	**106**	**100%**	**123**	**100%**	**229**	**100%**
$\chi^2 = 25.6502$***						
IMFI strategy for poor & needy successful for SDG-9 (Um04)						
1	0	0.00%	2	1.63%	2	0.87%
2	0	0.00%	0	0.00%	0	0.00%
3	3	2.83%	5	4.07%	8	3.49%
4	13	12.26%	14	11.38%	27	11.79%
5	11	10.38%	42	34.15%	53	23.14%
6	32	30.19%	34	27.64%	66	28.82%
7	47	44.34%	26	21.14%	73	31.88%
Total	**106**	**100%**	**123**	**100%**	**229**	**100%**
$\chi^2 = 28.1371$***						
IMFI develops community in education, health, sports & culture (Um06)						
1	0	0.00%	2	1.63%	2	0.87%
2	1	0.94%	1	0.81%	1	0.44%
3	2	1.89%	0	0.00%	2	0.87%
4	11	10.38%	20	16.26%	25	10.92%
5	14	13.21%	32	26.02%	56	24.45%
6	26	24.53%	38	30.89%	64	27.95%
7	45	42.45%	30	24.39%	71	31.00%
Total	**106**	**100%**	**123**	**100%**	**229**	**100%**
$\chi^2 = 21.8420$***						
IMFI operates in poor areas requiring attention for SDG-9 (Um07)						
1	0	0.00%	2	1.63%	2	0.87%
2	2	1.89%	1	0.81%	3	1.31%
3	2	1.89%	6	4.88%	8	3.49%
4	5	4.72%	16	13.01%	21	9.17%
5	12	11.32%	31	25.20%	43	18.78%
6	30	28.30%	37	30.08%	67	29.26%

Item / Scale	No IMFI N	No IMFI %	IMFI Perc. N	IMFI Perc. %	All N	All %
7	55	51.89%	30	24.39%	85	37.12%
Total	**106**	**100%**	**123**	**100%**	**229**	**100%**
$\chi^2 = 25.4812$***						
IMFI reaches illiterate underprivileged for SDG-9 (Um08)						
1	1	0.94%	3	2.44%	4	1.75%
2	3	2.83%	3	2.44%	6	2.62%
3	1	0.94%	10	8.13%	11	4.80%
4	15	14.15%	25	20.33%	40	17.47%
5	14	13.21%	35	28.46%	49	21.40%
6	31	29.25%	27	21.95%	58	25.33%
7	41	38.68%	20	16.26%	61	26.64%
Total	**106**	**100%**	**123**	**100%**	**229**	**100%**
$\chi^2 = 26.2517$***						
IMFI provides innovative financial services for SDG-9 (UM10)						
1	0	0.00%	1	0.81%	1	0.44%
2	1	0.94%	2	1.63%	3	1.31%
3	1	0.94%	4	3.25%	5	2.18%
4	14	13.21%	23	18.70%	37	16.16%
5	13	12.26%	28	22.76%	41	17.90%
6	24	22.64%	34	27.64%	58	25.33%
7	53	50.00%	31	25.20%	84	36.68%
Total	**106**	**100%**	**123**	**100%**	**229**	**100%**
$\chi^2 = 17.1288$***						
I recommend keeping funds and savings at IMFIs (UM12)						
1	0	0.00%	2	1.63%	2	0.87%
2	0	0.00%	0	0.00%	0	0.00%
3	1	0.94%	7	5.69%	8	3.49%
4	8	7.55%	18	14.63%	26	11.35%
5	15	14.15%	37	30.08%	52	22.71%
6	24	22.64%	30	24.39%	54	23.58%
7	58	54.72%	29	23.58%	87	37.99%
Total	**106**	**100%**	**123**	**100%**	**229**	**100%**
$\chi^2 = 28.8293$***						

Note: *** 1% Level of Significance. Scale 1–7. Source: Authors' calculations.

The Model 3 survey results highlight a notable gap between respondents who can distinguish between general insurance and deposit insurance and those who actively seek information about deposit guarantee schemes. With regard to preferred information dissemination channels, 75 percent of respondents in Groups A and B prefer to receive deposit insurance information through IMFI managers, while 66 percent favor direct communication with branch representatives. These findings underscore the critical responsibility of management in ensuring comprehensive staff-level understanding of deposit insurance schemes, a point emphasized by Hall and Rosenberg (2010).

Table 4.6. Results of Survey Questions Model 3

Item	No Know. N	No Know. %	Know. IDI N	Know. IDI %	All N	All %
Do you know the difference between insurance and deposit insurance? (Ins01)						
Yes	5	26.32%	108	67.08%	113	62.78%
No	14	73.68%	53	32.92%	67	37.22%
Total	**19**	**100%**	**161**	**100%**	**180**	**100%**
$\chi^2 = 12.0857$***						
Have you ever searched for information on deposit insurance? (Ins02)						
Yes	4	21.05%	103	63.98%	107	59.44%
No	15	78.95%	58	36.02%	73	40.56%
Total	**19**	**100%**	**161**	**100%**	**180**	**100%**
$\chi^2 = 12.9872$***						

Note: *** 1% Level of Significance. Source: Authors' calculations.

4.2. Assessment of Deposit Insurance Knowledge in IMFIs

Table 4.7 presents the estimation results from Model 1, which identifies the determinants of stakeholder knowledge regarding IMFIs and deposit insurance. The likelihood ratio statistic (LR chi2(13) = 57.05, $p < 0.001$) validates the overall statistical adequacy of the logistic model. The McFadden Pseudo R-squared of 0.1248 indicates that the model explains approximately 12.5 percent of the variation in DIS knowledge, a level consistent with early-stage exploratory surveys on financial literacy in emerging Islamic finance contexts, where attitudinal and normative variables beyond sociodemographics are expected to substantially improve explanatory power in future research designs that explicitly measure TPB constructs. Five determinants of DIS knowledge reach statistical significance, namely age, marital status, educational level, work experience, and health expenditures. The results identify educational level, work experience, and monthly expenditures as the most practically significant predictors of DIS awareness.

The variables significantly influencing DIS knowledge in IMFIs in this model are educational level, work experience, and monthly expenditures. Notably, 33.58 percent of respondents hold an undergraduate degree and 12.59 percent hold postgraduate qualifications. Additionally, 43.21 percent report more than five years of professional work experience. The majority of respondents (37.28 percent) report monthly expenditures in the range of 2 to 4 million IDR. Data further reveal that 97 percent of IMFI managers and 84 percent of IMFI members support the implementation of a DIS. Furthermore, 63.51 percent of managers, who are also IMFI members, express willingness to pay deposit insurance premiums. This outcome aligns with research by Iqbal and Mirakhor (2011), who emphasize the necessity of deposit insurance in reinforcing institutional trust.

The negative coefficient associated with age indicates that older respondents tend to exhibit lower levels of knowledge regarding DIS in IMFIs. This finding is at variance with prior research by Fianto et al. (2019), which suggests that older individuals generally have better access to IMFI-related information. Conversely, the positive coefficients for marital status, education, work experience, and health expenditures support the hypothesis that these factors are associated with higher levels of DIS awareness, consistent with Bhattacharyya and Jagadeesh (2018) regarding the importance of education in financial literacy.

The significance of educational quality and financial literacy is further reinforced by the Islamic Corporation for the Development of the Private Sector (2020), which ranks Indonesia highly on educational metrics related to Islamic finance. Generational analysis reveals that Generation Z (27.94 percent) and Millennials (25.87 percent) constitute the dominant productive age cohort in Indonesia, with 67 percent indicating awareness of insurance products, a finding consistent with

Nabila et al. (2023) on generational trends in financial awareness.

Table 4.7. Determinants of DIS Literacy and Knowledge

Variable	Coefficient	SE	Z	P > z
Gender (Male)	0.1479	0.2654	0.56	0.577
Age	−0.4964	0.2744	−1.81	0.070*
Marital Status (Married)	0.8496	0.5154	1.65	0.099*
Child	0.2725	0.1754	1.55	0.120
Education	0.2212	0.1092	2.02	0.043**
Occupation (Govt Employees)	0.2874	0.7253	0.40	0.692
Job Years	0.2364	0.1420	1.66	0.096*
Family	−0.0066	0.0910	−0.07	0.942
Incperson	0.2039	0.1548	1.32	0.188
Income	−0.1069	0.1564	−0.68	0.494
Expenses	−0.0104	0.1831	−0.06	0.955
Job Status (No)	0.2937	0.3210	0.92	0.360
Health Expenses	−0.3455	0.1216	−2.84	0.004***
Model Statistics				
Log likelihood	−200.039			
Number of obs.	405			
LR chi2(13)	57.05			
Prob > chi2	0.0000***			
Pseudo R^2	0.1248			

Note: * p<0.1; ** p<0.05; *** p<0.01. Source: Authors' calculations.

4.3. Assessment of Factors Influencing Stakeholder Perceptions of IMFI Social Contributions

Table 4.8 presents the results from Model 2, which evaluates the determinants of knowledge regarding IMFI products and services and perceptions of their social contributions to sustainable development. The likelihood ratio statistic (LR chi2(17) = 101.01, $p < 0.001$) confirms the validity of the logistic model. The McFadden Pseudo R-squared of 0.3194 indicates a substantially stronger model fit than Model 1, reflecting the inclusion of IMFI-specific attitudinal variables alongside sociodemographic predictors. Key determinants of IMFI product knowledge include education, work experience, family size, health expenditures, and perceptions of IMFI social objectives and community inclinations toward IMFI services. The findings reveal that respondents perceive the social mission of IMFIs as evident and meaningful, recognising their capacity to meet community needs and foster social capital in support of poverty alleviation, financial inclusion, and educational empowerment goals, consistent with Warde (2010).

The findings reveal that respondents perceive the social mission of IMFIs as evident and meaningful, recognizing their capacity to meet community needs and foster social capital in support of SDG-9. This perception is consistent with the argument advanced by Warde (2010) that IMFIs serve both economic and social functions in alignment with their dual institutional mandate.

Several variables, including work experience, family size, and perceptions of IMFI social objectives, exhibit negative associations with knowledge of IMFI products. This pattern suggests that respondents with shorter occupational tenure and smaller household sizes tend to demonstrate greater awareness of IMFI offerings, possibly reflecting the higher mobility and financial experimentation typical of younger, less-established household units. The positive coefficient for Um01 indicates that familiarity with IMFI products is associated with expectations that these institutions fulfil a meaningful social role, consistent with the findings of Mair et al. (2015) regarding the positive relationship between institutional knowledge and perceived social

value. Conversely, the negative coefficient associated with Um12 indicates that individuals with limited product knowledge are less inclined to recommend depositing funds in IMFIs, a finding that aligns with Zaman and Iqbal (2018) regarding the relationship between institutional knowledge and trust in financial institutions.

Table 8. Assessment of Social Impacts of IMFIs for Achieving Sustainable Development Goals

Variable	Coefficient	SE	Z	P > z
Gender (Male)	−0.2601	0.3894	−0.67	0.504
Age	0.1709	0.3648	0.47	0.640
Marital Status (Married)	−0.5507	0.6550	−0.84	0.401
Child	0.0099	0.2481	0.04	0.968
Education	0.3509	0.1466	2.39	0.017**
Occupation (Govt Employees)	0.2496	0.9149	0.27	0.785
Job Years	−0.5008	0.1968	−2.54	0.011**
Family	−0.1943	0.1165	−1.67	0.096*
Incperson	0.1055	0.2159	0.49	0.625
Income	0.0351	0.2306	0.15	0.879
Expenses	−0.1319	0.2795	−0.47	0.637
Job Status (No)	−0.2312	0.5157	−0.45	0.654
Health Expenses	0.3532	0.2121	1.66	0.096*
Um01	0.6206	0.2971	2.09	0.037**
Um05b	−0.7868	0.2898	−2.72	0.007***
Um05c	0.7509	0.3223	2.33	0.020***
Um12	−0.3969	0.2298	−1.73	0.084*
Model Statistics				
Log likelihood	−107.6048			
Number of obs.	229			
LR chi2(17)	101.01			
Prob > chi2	0.0000***			
Pseudo R^2	0.3194			

Note: * p<0.1; ** p<0.05; *** p<0.01. Source: Authors' calculations.

4.4. Assessment of Knowledge Regarding Islamic Deposit Insurance

Table 4.9 presents the results from Model 3, which examines the factors influencing knowledge of Islamic Deposit Insurance (IDI) and willingness to pay premiums among the 180 direct stakeholders in Groups A and B. The likelihood ratio statistic (LR chi2(3) = 28.43, $p < 0.001$) confirms the statistical adequacy of the model, with a McFadden Pseudo R-squared of 0.2324 indicating moderate explanatory power for a parsimonious three-predictor specification. Three key factors emerge as significant determinants of IDI knowledge, namely institutional role as a product or service manager, prior information-seeking behaviour regarding Islamic deposit insurance, and expressed willingness to pay a deposit insurance premium.

The results from Model 3 indicate that respondents recognize the urgency of establishing a DIS and are willing to contribute higher premiums to support its implementation. This finding is consistent with the prevailing scholarly consensus that members' willingness to pay is a critical precondition for the long-term sustainability of deposit insurance systems. Moreover, the establishment of a DIS is anticipated to deter bank runs and reinforce the financial resilience of the microfinance sector, encouraging IMFIs to adhere to more stringent monitoring and reporting standards, as emphasized by Laeven and Valencia (2013).

Table 9. Need for DIS and Willingness to Pay the Premium

Variable	Coefficient	SE	z	P > z
Product/Service Manager (Filter 2)	1.5174	0.8011	1.89	0.058*
Ins 02	1.2625	0.6183	2.04	0.041**
Ins 03	1.8330	0.7873	2.33	0.020**
Model Statistics				
Log likelihood	−46.4671			
Number of obs.	180			
LR chi2(3)	28.43			
Prob > chi2	0.0000***			
Pseudo R^2	0.2324			

Note: * p<0.1; ** p<0.05; *** p<0.01. Source: Authors' calculations.

5. MANAGERIAL IMPLICATIONS

The findings of this study carry far-reaching implications for academics, researchers, IMFI management, and regulatory authorities committed to promoting deposit insurance within the Islamic microfinance sector. The following managerial implications are proposed for consideration by key stakeholders.

From a regulatory and policy perspective, the government should formally recognize the strategic importance of DIS for the Islamic microfinance sector and enact the necessary supporting legislative and regulatory frameworks. In operationalizing DIS within the microfinance industry, relevant governmental bodies, including the Ministry of Cooperatives and Small and Medium Enterprises (KEMENKOP UKM) and the Financial Services Authority (OJK), must invest in developing the human resource capacity and professional credentials required to execute more rigorous supervisory responsibilities. The government should also provide a legal foundation and establish IT-enabled governance mechanisms to support institutional compliance and oversight. These measures collectively represent essential steps toward advancing SDG-9 objectives.

For IMFI managers and other microfinance institution leaders, a priority should be placed on human resource development through targeted training and professional coaching programs. This study identifies the characteristics of customers who are inclined to maintain deposits at IMFIs and who demonstrate willingness to pay higher costs for deposit protection. In the immediate term, IMFIs should proactively develop institutional mechanisms and financial tools to address liquidity constraints, including the establishment of secondary cooperatives that can support short-term liquidity management and help prevent institutional collapse during periods of financial stress. IMFI managers are also encouraged to engage in active political advocacy to accelerate the adoption of deposit insurance legislation for the Islamic microfinance sector.

From an academic standpoint, researchers should conduct further investigations as a basis for informed decision-making by relevant stakeholders. Potential institutional arrangements for deposit insurance in IMFIs may take several forms, including operation under the existing Deposit Insurance Corporation (Lembaga Penjamin Simpanan/LPS); the establishment of a new and dedicated deposit insurance corporation specifically for microfinance institutions; the creation of a formalized secondary cooperative structure; or the administration of deposit insurance through a private insurance company. Academics may also assist the government in developing eligibility criteria and assessment tools to determine which IMFIs qualify for inclusion in deposit insurance programs, as well as in designing the appropriate premium structure for the sector.

This study advances a critical research gap by offering a comprehensive empirical analysis of DIS tailored for IMFIs in Indonesia. Academically, the study integrates TPB with empirical insights on depositor behavior, thereby enriching the discourse on financial inclusion and stability in Islamic finance. For regulatory bodies such as OJK and LPS, the findings provide actionable guidance for designing Shariah-compliant DIS frameworks that address the unique operational challenges of IMFIs. The study further provides Bank Indonesia with valuable data on depositor preferences to support policies that enhance public trust, financial system resilience, and the broader social mission of IMFIs. Collaborative engagement among all relevant stakeholders is recommended to ensure that regulatory initiatives are aligned with both financial stability objectives and the ethical principles of Islamic finance.

6. CONCLUSION AND RECOMMENDATION

This study provides a comprehensive empirical analysis of the necessity for a tailored Shariah-compliant DIS for IMFIs in Indonesia. Employing three binary logistic regression models on a sample of 405 purposively stratified respondents, the findings identify educational attainment, professional work experience, and social perceptions of IMFI contributions as key determinants of DIS awareness and willingness to adopt such a system. The study underscores the pivotal role of IMFIs in advancing financial inclusion and contributing to multiple sustainable development goals, specifically SDG-1 (No Poverty), SDG-4 (Quality Education), and SDG-10 (Reduced Inequalities), by addressing the financial needs of underserved populations and supporting equitable economic development. The study further documents the structural pathway through which SDG-9 objectives around sustainable industrialization and innovation can be served indirectly through DIS-enabled stability of IMFIs, which finance micro and small enterprises contributing to industrial development.

The unique contribution of this research lies in its integration of Shariah-compliant principles with practical DIS frameworks, offering concrete and actionable insights for the design of resilient and inclusive financial systems. By emphasizing the roles of trust, ethical conduct, and stakeholder engagement, the study bridges an important gap in the scholarly literature on Islamic finance and financial stability. These findings not only enrich the academic discourse on IMFIs but also provide a foundation for aligning financial policies with global sustainable development goals.

Age and marital status, which are significant factors in shaping perceptions of IMFI social roles in relation to SDG-9, are not significant predictors of IMFI product knowledge. In contrast, family size, educational attainment, years of professional experience, and health expenditures emerge as significant determinants, indicating that young, educated, and family-oriented professionals are the primary demographic group that perceives the social functions of IMFIs. The study also identifies the need to broaden IMFI product awareness among individuals over 40 years of age. The Model 2 results further indicate that IMFIs should pursue a social role that is cost-effective and oriented toward the welfare of economically disadvantaged populations, which will contribute to SDG-9 achievement. IMFIs possess a recognizable social mission and demonstrate adaptability in delivering services that are responsive to community needs, particularly for underprivileged populations. Respondents affirm that maintaining savings at IMFIs is both important and necessary. The Model 3 results establish that respondents willing to adopt deposit insurance or guarantee schemes also express readiness to pay the associated premiums. The existence of a DIS for IMFIs has the potential to increase public confidence and stabilize the financial system while simultaneously encouraging IMFIs to adhere to more stringent monitoring and reporting standards.

For policymakers, it is imperative to design a regulatory framework that explicitly supports the implementation of a Shariah-compliant DIS. This could involve initiating pilot programs under

the Indonesia Deposit Insurance Corporation (LPS) to evaluate the feasibility and effectiveness of such systems. Policymakers should also strengthen the legislative foundation for IMFIs to ensure their adequate integration into the national financial stability agenda while preserving their dual roles as financial and social institutions.

Practitioners, and particularly IMFI managers, should prioritize institutional capacity building through targeted training programs that deepen understanding of DIS and its practical applications within Shariah-compliant frameworks. In addition, raising public awareness about the benefits of DIS is essential for fostering trust and encouraging participation among communities with limited financial literacy, particularly in underserved regions. This can be achieved through localized awareness campaigns and stakeholder engagement activities.

For the academic community, this study highlights the need for further exploration of Shariah-compliant DIS models that are tailored to the unique operational challenges of IMFIs. Future research should incorporate cross-country comparative analyses to extract lessons from successful implementations in countries such as Malaysia and Pakistan. Stakeholder analyses should be expanded to examine demographic variations in perceptions of and engagement with DIS, ensuring that future systems are both inclusive in scope and effective in design.

This study is subject to several limitations that should be acknowledged. First, the findings may have limited generalizability given that the sample is relatively modest in size and geographically concentrated on the island of Java. Second, the survey instrument does not adequately assess respondents' comprehension of the distinctions between Islamic and conventional microfinance institutions, an area warranting further scholarly exploration. Third, the study does not evaluate specific IMFI products or institutional plans capable of addressing the needs of prospective customers. Future research directions include the development of alternative frameworks for the establishment of deposit guarantee schemes at IMFIs, the determination of institutional eligibility criteria for DIS membership, and the identification of Shariah-compliant savings and membership categories that may be covered under a formal DIS.

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